



# Finance Act 1962

## 1962 CHAPTER 44

### PART II

#### INCOME TAX AND PROFITS TAX

### CHAPTER III

#### MISCELLANEOUS AMENDMENTS

#### **19 Double taxation relief under Finance Act, 1961 (effect on dividends)**

(1) Notwithstanding the provision in subsection (1) of section three hundred and fifty of the Income Tax Act, 1952, that the tax deductible under section one hundred and eighty-four from dividends shall be determined without regard to double taxation relief, where—

- (a) a body of persons pays a dividend out of profits or gains in respect of which development relief is given; and
- (b) credit cannot be given against profits tax for that relief or can be so given for part only of it (on the basis that credit is to be so given for development relief in priority to any other double taxation relief);

the rate at which tax is authorised by section one hundred and eighty-four to be deducted from the dividend shall be the reduced rate provided for by this section, and any provision of the Income Tax Acts referring to deduction of tax under section one hundred and eighty-four (and in particular the provisions of sections one hundred and eighty-five, one hundred and eighty-six and four hundred and ninety-one to four hundred and ninety-three of the Income Tax Act, 1952, for determining the gross amount of the dividend) shall have effect accordingly.

(2) In this section "development relief" means double taxation relief given by virtue of section seventeen of the Finance Act, 1961 (which provides for relief by reference to exemptions from foreign taxation given to promote development), but includes any indirect relief by the reduction under this section of the tax deducted or treated as deducted from any dividend.

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- (3) The reduced rate referred to in subsection (1) above shall be, in relation to any dividend, the standard rate reduced by the amount of any reduction in the net United Kingdom rate for the dividend (within the meaning of subsection (1) of the said section three hundred and fifty) which is due to so much of the development relief as cannot be given by way of credit against profits tax as mentioned in paragraph (b) of subsection (1) above; and for the purposes of this section there shall be treated as paid out of profits or gains in respect of which development relief has been given any dividend for which the net United Kingdom rate is reduced by development relief.
- (4) The power of the Commissioners of Inland Revenue under section three hundred and fifty-one of the Income Tax Act, 1952, to make regulations for carrying out the provisions of sections three hundred and forty-seven and three hundred and fifty of that Act shall include power to make regulations for carrying out this section.
- (5) Where a dividend is payable wholly or partly at a fixed gross rate per cent., and the rate at which tax is deductible is affected by this section, the net amount to be paid shall be determined according to the reduced rate provided for by this section, and not according to the standard rate; and tax payable in respect of a dividend shall be treated as satisfied by a deduction made in accordance with this section to the same extent as if the deduction had been of tax at the standard rate.
- (6) Where a company is or has been an overseas trade corporation and is or has been entitled to development relief, the rate at which tax is authorised to be deducted from a dividend shall be determined, if there is a different net United Kingdom rate for different parts of the dividend, by treating each such part as a separate dividend, and Part IV of the Finance Act, 1957, shall have effect subject to the following modifications:—
- (a) so much of any relevant distribution or part of a relevant distribution (within the meaning of the Fifth Schedule to that Act) as is to be regarded under that Schedule as made out of the exempt trading income of the period to which the distribution or part is finally related shall, for any of the following purposes, be grossed up at the reduced rate applying to a dividend regarded as paid out of that income (instead of at the standard rate for the year of assessment in which the date of distribution falls), that is to say.—
    - (i) for the purpose of determining under paragraph 9 of that Schedule the amount of that income which is to be regarded as applied in making the distribution or that part of it; and
    - (ii) for the purpose of determining, in the case of a dividend, the amount on which the company is chargeable to tax by reference to it under section twenty-six of that Act; and
    - (iii) for the purpose of determining, in the case of a grant or loan to which paragraph 1 or 2 of the Sixth Schedule to that Act applies, the amount of income which is under that paragraph to be deemed to have been received by the person to whom the grant or loan is made; and
  - (b) in determining under the Fifth Schedule to that Act—
    - (i) how far a relevant distribution is to be finally related to any period; or
    - (ii) in what proportions a relevant distribution or part of a relevant distribution is to be regarded as made out of the exempt trading income and the other income respectively of the period to which it is finally related;

any part of the income of the period in respect of which development relief is given (or, in the case of exempt trading income, would fall to be given if

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it were chargeable to tax) shall be treated as being of an amount which, after deduction of tax thereon at the standard rate for the year of assessment in which the date of distribution falls, is equal to the actual amount of the income after deduction of an amount equal to tax thereon at that rate as that tax is or would be reduced by reason of the development relief given or falling to be given in respect of the income.